



BUSINESS INVESTMENT GRANT

Economic Development Committee

July 22, 2019



AGENDA

- Overview of the program we have today
- Discuss a Pilot Program
- Long-term Thoughts



OVERVIEW OF THE PROGRAM TODAY

- Created in 1998, in partnership with Mecklenburg County
- Encourages the attraction, retention and/or expansion of businesses and jobs
- Competitive in nature
- Provides grants based upon the amount of new property tax generated by the business
- Requires companies to meet thresholds for capital investment, new jobs and wages
- Often used as a required match to State incentives



CURRENT POLICY PROVISIONS

- **Standard Grant**
 - \$3 million investment
 - 20 new jobs at 100% average annual rate for MSA (\$51,150)
 - 3-year grant term at 90%
 - Projects must locate in the Business Investment Zone (BIZ)
 - Option for additional two-year term if existing company
- **Large Impact Grant**
 - \$30 million investment and/or
 - 150 new jobs at 125% average annual rate for MSA
 - 5-year grant term at 50% or 90% depending on location
 - Option for additional two year term if existing company
- **Major Headquarters Provision**
 - Companies that are Fortune 1000
 - Must pay 200% of the regional average wage



RECOMMENDATION

Proposal: Conduct a 12 month Pilot Program

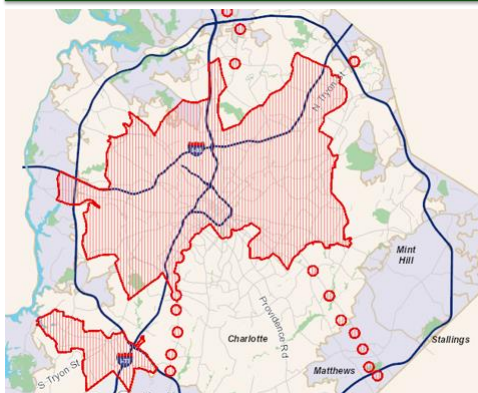
Why:

- The projects that we are currently seeing in Charlotte do not align with the policy we have in place today.
- Incentivize **target industries** rather than location
- Adapt policy to be more focused on the **quantity and quality of jobs**
- Create flexibility within our policy framework
- Meet the goals of City Council and address community goals

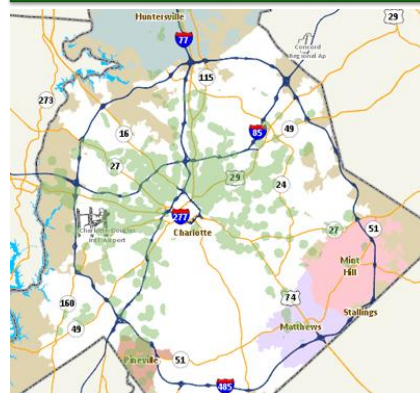


CURRENT CITY & COUNTY GEOGRAPHY

City Business Investment Zone



County Opportunity Areas





JOBS

Focus on investing based on the **quantity and quality of jobs** in our targeted industries:

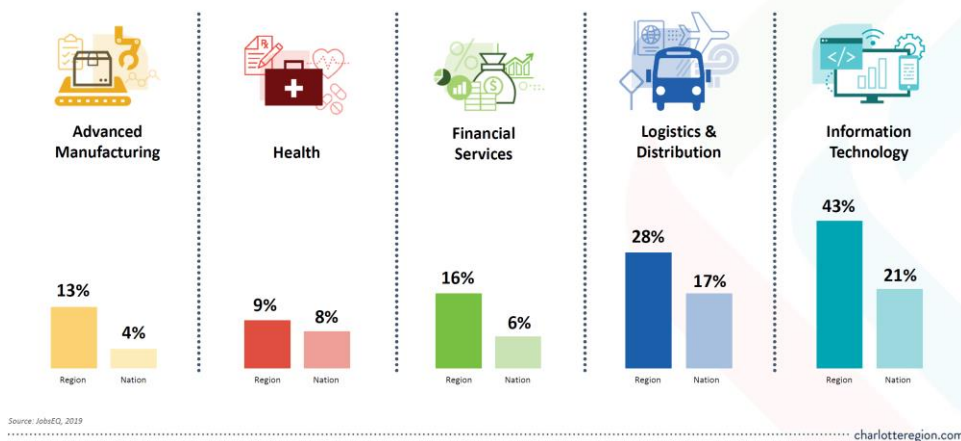
Targeted Industries as defined by the Charlotte Regional Business Alliance:

- Advanced Manufacturing
- Technology
- Logistics and Distribution
- Financial Services
- Health Care
- International Business
- Headquarters
- Automotive Industry



TYPES OF JOBS

OUR ECONOMY: Regional vs. National Growth, 2014-2018





TYPES OF JOBS

OUR ECONOMY: Corporate Headquarters



2X
THE NATIONAL
AVERAGE OF
HEADQUARTERS
EMPLOYEES



4,300
BUSINESS-RELATED
DEGREES AWARDED
ANNUALLY BY
REGIONAL
INSTITUTIONS

FORTUNE
1000

14
FORTUNE 1000
COMPANIES WITH
3 MORE
ON THE WAY



PROFESSIONAL
SERVICES
SECTOR HAS
GROWN
80%
SINCE 2001

Source: JobsEQ, 2019; Fortune Magazine, EMS; Charlotte Regional Business Alliance Research

charlotteregion.com

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9



TYPES OF JOBS

OUR ECONOMY: International Business



MORE THAN
1,000
INTERNATIONAL
BUSINESSES



700+
DAILY FLIGHTS
TO MORE THAN
150 DESTINATIONS
INCLUDING

Source: Fortune Magazine;

34
INTERNATIONAL



MORE THAN
250,000
INTERNATIONALLY
BORN RESIDENTS



REAL EXPORTS UP
238%
SINCE 2009

Source: Charlotte Regional Business Alliance Research; JobsEQ, 2019; U.S. Census Bureau; Charlotte Douglas International Airport; International Trade Administration

charlotteregion.com

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10



PILOT PROGRAM

How will the pilot work:

- 12 month program where the success is measured by:
 - Ability to bring more quality jobs to Charlotte
 - Respond to council priorities
 - Become more competitive
 - Policy exceptions are fewer
- Built on trust and transparency
- Report out every quarter
- Continue to conduct research on policy update
- Process remains the same with approvals.

We endeavor to bring prospective companies to Charlotte with incentive offers that fall within this pilot program.



PILOT: STANDARD GRANT

Existing

- \$3 million investment; **and**
- 20 new jobs at 100% average annual rate for MSA (\$51,150); **and**
- Projects **must** locate in the Business Investment Zone

3-year grant term at 90% reimbursement

Option for additional two-year term if existing company

Pilot

- \$3 million investment; **and**
- 20 new jobs at 100% average wage for MSA (\$51,150) or **Standard Occupational Code**
- **Incentivize based on target industry**

3-year grant term at 50% or 90% reimbursement

*Target Industry increases percentage to 90%
Option for additional two-year term if existing company*

Change Recap:

- Location requirement is eliminated.
- Instead of a 90% grant being based on location, it is based on target industry.
- A company is eligible for a 50% grant anywhere in the city if it meets job, salary and investment minimums. This is consistent with Mecklenburg County's policy today.
- The salary requirement can also be met by meeting Standard Occupation Code.



PILOT: STANDARD GRANT EXAMPLE

Project Blade

- Advanced Manufacturing company expansion
- Creates a research and development center in Charlotte

- Capital Investment: \$3.2 million
- Jobs: 24 new jobs
- Average wage: \$110,000
- Proposed location: Ballantyne

Under current policy: no grant due to location

Under pilot project: 5 year, 90% grant



PILOT: LARGE IMPACT GRANT

Existing

1. \$30 million investment; **and**
2. 150 new jobs; **and**
3. 125% average annual rate for MSA

Meet all 3 requirements:

5-year grant term at 50% or 90%

90% if in the BIZ and 50% if outside

Option for additional two-year term if existing company

Change Recap:

- Location requirement is eliminated.
- Instead of a 90% grant being based on location, it is based on target industry.
- The salary requirement can also be met by meeting Standard Occupational Code.
- Ability to shift focus to being on high quantity and quality of jobs
- Addresses current market trends of reducing up front property investment and increased investment in people and programs

Pilot

1. \$30 million investment;
2. 150 new jobs;
3. 125% average wage for MSA or Standard Occupational Code

Meet 2 of the 3 requirements:

5-year grant term at 50% or 90%

90% if the company is a target industry

Option for additional two-year term if existing company

\$3M minimum investment



PILOT: LARGE IMPACT GRANT FOR EMERGING TARGET INDUSTRY BUSINESS

Emerging Target Industry Pilot

1. Create 150 jobs; **and**
2. 125% average wage for MSA or Standard Occupational Code; **and**
3. Targeted Industry; **and**
4. Within 5 years, invest minimum of \$3M in real and business personal property and commit to adding 20 new jobs;

7- year grant term at 90%

Change Recap:

- Demonstrate need for competition during recruitment and eliminate need for competition for expansion.
- Allows job creation prior to award of grant to count toward large impact requirement.
- Allows companies to make a decision regarding relocation to Charlotte today without requiring an upfront capital investment.
- Commitment of support for a future grant and not negotiated until investment is going to be made.
- Requires council approval for a BIG prior to investment.



PILOT: LARGE IMPACT EXAMPLES

Project Gopher – Company Expansion

Capital Investment: \$7 million
 Jobs: 317
 Salary: \$52,000
 Location: Within BIZ
 Target Industry: Financial Services Support

Current Policy: 5 year, 90% grant.
 Pilot Policy: 7 year 90% grant.

Project Sierra - New Company

Capital Investment: TBD
 Jobs: 150
 Salary: \$103,000
 Location: Within BIZ
 Target Industry: Financial Technology

Current Policy: No Grant *due to lack of upfront capital investment*
 Pilot Policy: Future 7 year 90% grant *with minimum \$3M future investment + 20 new jobs*



PILOT: TRANSFORMATIVE PROJECTS

Existing

Major Headquarters Provision

- Companies that are Fortune 1000
- Must pay 200% of the regional average wage

Consider on Individual Basis

Pilot

Transformative Projects Provision

1. \$100 Million in Investment
2. 1,000 new jobs;
3. 125% average wage for MSA or Standard Occupational Code
4. Targeted Sector

Meet 3 of the 4 requirements:

Ability to extend Large Impact term to 10 years.

Change Recap:

- Additional incentive for high volume of jobs or investment
- Not focused just on Fortune 1000 companies or high paying jobs
- Ability to shift focus to being on high quantity and quality of jobs
- Addresses current market trends of reducing up front property investment and increased investment in people and programs



PILOT: TRANSFORMATIVE EXAMPLES

Project Cameo

Capital Investment: \$153 million

Jobs: 1,913

Salary: \$110,000

Location: Within BIZ

Target Industry: Technology

Current Policy: 7 year, 90% grant

Pilot Policy: 10 year 90% grant



NEXT STEPS

- Asking that the Economic Development Committee recommend that the Pilot Program be presented to full Council